

studied—the extent of this reserve or the amount of cash which the bank possesses—for on its sufficiency depends the solvency of the nation, as will hereafter be perceived. Let us ascertain its amount at the date of the return we are considering.

It is perhaps needless to impress again upon the reader's mind the vital significance of this reserve. It has been pointed out that the circulation and acceptance of representative money—notes, cheques and bills of exchange—employed in the satisfaction of mutual indebtedness in commercial and financial transactions depends entirely upon the conviction that it is really representative; that gold certainly exists for which the paper currency can be exchanged; that, in short, gold forms, in reality, the medium of exchange for commodities, though, for reasons of convenience and rapidity of transfer, documents are utilised; and the sole depository of this national fund of gold, as the foundation of commerce, is the Bank of England. The notes in the banking department (referring to the return now scrutinised) amounted to £26,564,120, and as they are protected by the gold coin and bullion (and other assets) in the issue department they can properly be regarded as cash: the banking department contained, in addition, £1,654,035 of gold and silver coin. Summing these two amounts we find that the banking cash reserve then existing was £28,218,155. Now a reserve is not an absolute but a relative figure; it tells nothing definitely and conclusively in itself. A bank may hold £10,000,000 of coin in reserve and yet be less solvent than one which possessed only £1,000,000. The adequacy of the reserve (or the cash to satisfy obligations) can only be measured by comparing its amount with the liabilities for which it is intended to provide. What, then, was the extent of the liabilities the bank was required to meet at this date? These consisted of the "public deposits" of £7,639,534; the "other deposits" of £44,292,844; certain bills representing £53,309, or an aggregate of £51,985,687. A sum in proportion accordingly shows

that the cash reserve of £28,218,155 amounted to 54.28 (or about 54%) per cent of the liabilities.

The joint stock banks do not maintain specific reserves in cash of their own as a provision for extensive and exceptional contingencies; such as a commercial crisis or general failure of